

Memorandum



Date: June 12, 2007

To: Honorable Chairman Bruno A. Barreiro
and Members, Board of County Commissioners

B & F

Agenda Item No. 7(A)

From: George M. Burgess
County Manager

A handwritten signature in black ink, appearing to read "G. Burgess", written over the printed name of George M. Burgess.

Subject: Local Option Gas Tax Information

On May 22, 2007, the Board approved R-635-07 directing the County Manager to prepare a report and action plan regarding proposed temporary reductions to the Local Option Gas Tax (LOGT), which is levied under the authority of Section 336.025 Florida Statute at six cents per gallon of gas, gasohol or diesel fuel, and the Capital Improvement Local Option Gas Tax (CILOGT), which is currently levied under the authority of Section 336.025 (1) (B) Florida Statutes at three cents of a maximum of five cents per gallon of gas or gasohol.

For FY 2006-07, recent projections indicate that each cent of the six cents LOGT will generate an approximate monthly average of \$901,514 or \$10.818 million this fiscal year. These funds are shared with the County's municipalities based on a statutory formula and terms of the interlocal agreement that currently splits the LOGT 70.4 percent to Miami-Dade County (\$7.616 million per penny) and the 29.6 percent remainder to the municipalities (\$3.202 million per penny), based on a weighted average of center lane miles and population.

Current FY 2006-07 projections for the CILOGT indicate that each penny will generate an approximate monthly average of \$788,306 or \$9.46 million this year, which is below the FY 2006-07 budgeted amount of \$847,666 per month or \$10.172 million for this fiscal year. These funds are also shared with the County's municipalities based on a statutory formula and terms of the interlocal agreement that splits the CILOGT 74 percent to Miami-Dade County (\$7 million per penny) with the 26 percent remainder to the municipalities (\$2.46 million per penny), based on a weighted average of center lane miles and population.

If three cents of the LOGT were eliminated for three months, using the current projection, Miami-Dade County would lose \$5.712 million on average. The municipal impact would be \$2.402 million on average. It should be noted that the actual loss may be slightly higher or lower as a result of the seasonal nature of fuel purchases. The impact of the three month reduction of the LOGT to each municipality and to the County is shown on Attachment 1.

The elimination of two cents of the three cents (66 percent) of the CILOGT for three months, using the current projection, would reduce the amount received by Miami-Dade County by \$3.497 million on average; the municipal reduction would be \$1.229 million on average. Again, the actual reduction might be higher or lower depending on the months of imposition due to seasonality. The impact of the three month reduction of the CILOGT to each municipality and to the County is shown on Attachment 2.

Impact to County Operations or Capital Programs

The County's share of the LOGT is appropriated within the general fund for all legitimate transportation purposes by statute. For transportation purposes, the current Maintenance of Effort (MOE) in Miami-Dade Transit (MDT) is \$131.944 million and General Fund Countywide support to Public Works is \$35.55 million.

Among two alternatives, the LOGT reduction could be offset by eliminating the programmed increase of \$4.618 million (3.5 percent) for next fiscal year in the MOE required under the Line of Credit Obligation between the Board of County Commissioners, the Citizens' Independent Transportation Trust and MDT and reducing \$1.094 million of general fund support to Public Works. However, this would technically violate the terms of the Line of Credit Obligation and potentially eliminate further access to the Loan for Existing Services, which must be used next fiscal year to balance MDT's operating budget. The Public Works reduction would eliminate annual funding for one pothole crew (\$115,000) lengthening the response time for pothole repairs (from one to as many as three days), one half of a sidewalk repair crew (\$260,000), one annual cycle of arterial road drain cleaning (\$400,000), one annual cycle of arterial road street sweeping (\$200,000) with the remainder saved by increasing attrition in Traffic Signs and Signals (\$119,000). These reductions would impact arterial road maintenance, drainage, and cleanliness as well as a reduction of 5,500 square yards of replacement sidewalks along arterial rights-of-way. Should the Board wish to maintain funding to MDT and Public Works functions, reductions to other general fund subsidized programs would be necessary.

Another alternative would shift the entire \$5.712 million of the LOGT impact to the Public Works Department to avoid violating the Line of Credit Obligation. This would represent a loss of approximately 16 percent of the current year's Countywide support to Public Works and would severely impact the safe operation and maintenance of the County's arterial road traffic signalization and signage as well as timely drainage maintenance, pothole repairs, and repairs to sidewalks along arterial roads.

The County's share of the CILOGT is appropriated for transportation capital and is currently split between Countywide uses (72.9 percent) for MDT capital projects, primarily capital maintenance, and Unincorporated Municipal Service Area (UMSA) capital uses (27.1 percent) in Public Works including a portion of debt service on the Quality Neighborhood Improvement Bonds although the CILOGT is not used as pledged revenue. Staff also surveyed the municipalities to determine if any of the municipal shares are being used as a pledge to a special revenue financing. According to the responses received (29 out of 34), one municipality has currently pledged the CILOGT (Miami Gardens), one municipality intends to pledge the CILOGT in FY 2007-08 (North Miami) and one municipality is using its share to fund a portion of debt service on drainage projects (Golden Beach).

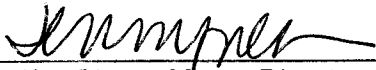
Any CILOGT reduction must be split according to the current allocation ratio between Countywide and UMSA uses. A loss of \$2.552 million of CILOGT revenue to MDT would impact bus capital maintenance, which would have an impact on service by potentially increasing the frequency of vehicle breakdowns. It is also noted that the Line of Credit Obligation referenced above requires the MDT share of the CILOGT to grow by 1.5 percent from the previous year's level or by the proportionate share increase in actual growth for such fiscal year, whichever is greater. Therefore, such a reduction in the CILOGT to MDT could also violate this obligation.

The remainder of the CILOGT reduction (\$945,000) would come from available funding for local road resurfacing in UMSA. This amount equals approximately 12 miles of resurfacing for two lane local

roads in our UMSA neighborhoods or about one half of the total amount allocated to this activity annually.

As stated before, should the Board choose to hold these activities harmless from these revenue reductions, then \$3.497 million of general fund revenue could be diverted from other supported activities.

It is important to note that if you assume the "average" driver drives 12,000 miles per year in a vehicle that gets 20 miles per gallon of gasoline, the estimated savings resulting from the proposed reductions as defined would be a total of \$4.50 for the LOGT temporary reduction and \$2.97 for the CILOGT temporary reduction - the equivalent of two and one half gallons of regular gas at today's retail prices. As past experience has clearly demonstrated, adjustments to the local option gas taxes do not significantly impact the price of gasoline. The availability of crude oil and refined products, external market shocks such as a terrorist act in an oil producing area and consumer demand - fundamental supply and demand economics - drive gas prices in both the short run and long run. It may also be the case that the fiscal impact to public transportation with these proposed temporary reductions may in fact have a greater negative impact on residents in our community who are not fortunate enough to own and drive an automobile. The County cannot guarantee that distributors or retailers would pass on any of the savings in taxes to the consumer. In fact, if history is any indicator, oil prices will continue to trend up over the long run, and if supplies tighten or demand rises, so too will retail prices at the gasoline pump.



Jennifer Glazer-Moon, Director
Office of Strategic Business Management

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**FY 2006-07 Capital Improvement Local Option Gas Tax Municipal Distribution Estimates
Including Countywide and Unincorporated Municipal Service Area Shares**

Municipality	FY 2006-07 Projected 3-cent Amount Per Municipality	FY 2006-07 Projected 2-cent Impact (3 months) ¹	FY 2006-07 Remaining Amount Per Municipality	Percentage Distribution of Municipal Share ²
Aventura	\$127,152	-\$21,174	\$105,978	1.72%
Bal Harbour	\$13,619	-\$2,268	\$11,351	0.18%
Bay Harbor Islands	\$26,971	-\$4,491	\$22,480	0.37%
Biscayne Park	\$23,662	-\$3,940	\$19,722	0.32%
Coral Gables	\$325,242	-\$54,161	\$271,081	4.41%
Cutler Bay	\$191,287	-\$31,854	\$159,433	2.59%
Doral	\$169,007	-\$28,143	\$140,864	2.29%
El Portal	\$17,498	-\$2,914	\$14,584	0.24%
Florida City	\$56,819	-\$9,462	\$47,357	0.77%
Golden Beach	\$10,557	-\$1,758	\$8,799	0.14%
Hialeah	\$1,246,820	-\$207,625	\$1,039,195	16.90%
Hialeah Gardens	\$108,811	-\$18,119	\$90,692	1.47%
Homestead	\$232,632	-\$38,739	\$193,893	3.15%
Indian Creek Village	\$1,496	-\$250	\$1,246	0.02%
Key Biscayne	\$59,563	-\$9,918	\$49,645	0.81%
Medley	\$24,144	-\$4,020	\$20,124	0.33%
Miami	\$1,998,280	-\$332,761	\$1,665,519	27.08%
Miami Beach	\$484,158	-\$80,624	\$403,534	6.56%
Miami Gardens	\$641,820	-\$106,879	\$534,941	8.70%
Miami Lakes	\$144,506	-\$24,064	\$120,442	1.96%
Miami Shores	\$76,412	-\$12,725	\$63,687	1.04%
Miami Springs	\$108,817	-\$18,121	\$90,696	1.47%
North Bay Village	\$30,751	-\$5,121	\$25,630	0.42%
North Miami	\$330,273	-\$54,998	\$275,275	4.48%
North Miami Beach	\$234,579	-\$39,063	\$195,516	3.18%
Opa-locka	\$85,297	-\$14,204	\$71,093	1.16%
Palmetto Bay	\$172,373	-\$28,704	\$143,669	2.34%
Pinecrest	\$143,285	-\$23,860	\$119,425	1.94%
South Miami	\$70,591	-\$11,755	\$58,836	0.96%
Sunny Isles Beach	\$74,445	-\$12,397	\$62,048	1.01%
Surfside	\$30,371	-\$5,058	\$25,313	0.41%
Sweetwater	\$71,956	-\$11,982	\$59,974	0.98%
Virginia Gardens	\$13,568	-\$2,260	\$11,308	0.18%
West Miami	\$31,619	-\$5,265	\$26,354	0.43%
Subtotal	\$7,378,381	-\$1,228,677	\$6,149,704	
UMSA	\$5,676,000	-\$945,000	\$4,731,000	NA
Countywide	\$15,324,000	-\$2,552,000	\$12,772,000	NA
Subtotal	\$21,000,000	-\$3,497,000	\$17,503,000	
Total	\$28,378,381	-\$4,725,677	\$23,652,704	

1 - For purposes of showing the impact of a reduction of two of the three cents of CILOGT for three months, the FY 2006-07 Projection is utilized

2 - These are the FY 2006-07 municipal distributions; the FY 2007-08 municipal distributions will be revised in June for submittal to the Florida Department of Revenue by July 1, 2008

(In Thousands of Dollars)

Attachment 1

FY 2006-07 Local Option Gas Tax Municipal Distribution Estimates Including Countywide and Unincorporated Municipal Service Area Shares

Municipality	FY 2006-07 Projected 6-cent Amount Per Municipality	FY 2006-07 Projected 3-cent impact (3 months) ¹	FY 2006-07 Remaining Amount Per Municipality	Percentage Distribution of Municipal Share ²
Aventura	\$331,090	-\$41,387	\$289,703	1.72%
Bal Harbour	\$35,465	-\$4,434	\$31,031	0.18%
Bay Harbor Islands	\$70,230	-\$8,779	\$61,451	0.37%
Biscayne Park	\$61,617	-\$7,702	\$53,915	0.32%
Coral Gables	\$846,903	-\$105,865	\$741,038	4.41%
Cutler Bay	\$498,093	-\$62,263	\$435,830	2.59%
Doral	\$440,078	-\$55,011	\$385,067	2.29%
El Portal	\$45,563	-\$5,696	\$39,867	0.24%
Florida City	\$147,953	-\$18,495	\$129,458	0.77%
Golden Beach	\$27,489	-\$3,436	\$24,053	0.14%
Hialeah	\$3,246,606	-\$405,835	\$2,840,771	16.90%
Hialeah Gardens	\$283,337	-\$35,418	\$247,919	1.47%
Homestead	\$605,754	-\$75,721	\$530,033	3.15%
Indian Creek Village	\$3,891	-\$487	\$3,404	0.02%
Key Biscayne	\$155,096	-\$19,387	\$135,709	0.81%
Medley	\$62,870	-\$7,859	\$55,011	0.33%
Miami	\$5,203,353	-\$650,433	\$4,552,920	27.08%
Miami Beach	\$1,260,705	-\$157,592	\$1,103,113	6.56%
Miami Gardens	\$1,671,243	-\$208,910	\$1,462,333	8.70%
Miami Lakes	\$376,282	-\$47,036	\$329,246	1.96%
Miami Shores	\$198,966	-\$24,871	\$174,095	1.04%
Miami Springs	\$283,348	-\$35,419	\$247,929	1.47%
North Bay Village	\$80,075	-\$10,010	\$70,065	0.42%
North Miami	\$860,004	-\$107,503	\$752,501	4.48%
North Miami Beach	\$610,825	-\$76,355	\$534,470	3.18%
Opa-locka	\$222,104	-\$27,763	\$194,341	1.16%
Palmetto Bay	\$448,848	-\$56,107	\$392,741	2.34%
Pinecrest	\$373,106	-\$46,639	\$326,467	1.94%
South Miami	\$183,813	-\$22,977	\$160,836	0.96%
Sunny Isles Beach	\$193,848	-\$24,231	\$169,617	1.01%
Surfside	\$79,083	-\$9,885	\$69,198	0.41%
Sweetwater	\$187,366	-\$23,421	\$163,945	0.98%
Virginia Gardens	\$35,330	-\$4,416	\$30,914	0.18%
West Miami	\$82,336	-\$10,292	\$72,044	0.43%
Subtotal	\$19,212,670	-\$2,401,635	\$16,811,035	
UMSA	\$0	\$0	\$0	NA
Countywide	\$45,695,000	-\$5,712,000	\$39,983,000	NA
Subtotal	\$45,695,000	-\$5,712,000	\$39,983,000	
Total	\$64,907,670	-\$8,113,635	\$56,794,035	

1 - For purposes of showing the impact of a reduction of three of the six cents of LOGT for three months, the FY 2006-07 Projection is utilized

2 - These are the FY 2006-07 municipal distributions; the FY 2007-08 municipal distributions will be revised in June for submittal to the Florida Department of Revenue by July 1, 2008

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